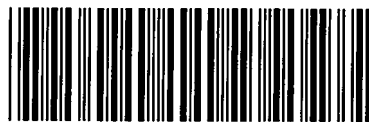


Alexander Dennis Limited

Report and accounts for the year ended
31 December 2014

Registered number SC268016

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Strategic Report

The results of the year are set out in the profit and loss account on page 9.

Chief Executive's Review

As forecast in last year's report, 2014 turned out to be a challenging year for Alexander Dennis Limited ('ADL') in terms of financial performance. However it has also been a very significant year for developing new products and opening up new markets. We faced a number of headwinds in the business but despite these we delivered our forecast results for the year and importantly continued our investment for 2015 and beyond. We remain focused on the longer term and have a significant number of initiatives underway that will stand us in good stead for the future.

UK Market

The UK remains the bedrock of our business and in 2014 we successfully launched our all new Enviro 400 double deck and Enviro 200 single deck vehicles at Euro 6 emission standard. These will deliver excellent fuel economy and fleet reliability for our customers through lighter weight and improved fuel efficient engines. The bus market itself was tougher in 2014 than the previous year with total new bus chassis registrations declining 10% to around 2,500 units. The London market in particular proved difficult and this was largely due to the growth of the New Bus for London. Despite this we were able to maintain our UK-wide market share percentage for new bus registrations. Our UK business performed satisfactorily in the circumstances with total bus and coach sales up 1% at £272 million however margins were under pressure in this more difficult market environment.

International Markets

International vehicle sales from our continuing activities fell around 3% to £165 million in 2014. It was however an exceptionally busy year on the international front with two new markets opened up in Singapore and Malaysia. This resulted in us setting up several new assembly sites with local partners to support these two new markets and our expected growth in the wider Asia Pacific region. Sales in Singapore and Malaysia helped to offset lower sales in Hong Kong and therefore broaden our presence in the region. In Hong Kong we launched our new Enviro 500 Hybrid model and we expect overall volumes here to recover strongly in 2015.

In North America we continue to make good progress in developing our business. Of particular note, we secured a five year contract with Metrolinx, the transport authority for the Greater Toronto area, to supply our Enviro 500 double deck. The total value of the contract is up to C\$495 million and delivery of vehicles will begin in 2016. We are setting up our own assembly facility in Toronto to serve this customer and have also established a new build partner in the USA. We also launched our new Low-Height Enviro 500 during the year which will open up a whole series of new transit agency opportunities for us. Our Joint Venture with New Flyer Industries Inc. continues to establish itself in the North American market. The JV builds and markets our Enviro 200 Midibus and although it is taking time for this product to gain traction we are confident in its success in due course.

Financial Performance

Our total sales fell 7% from the previous year to £503 million and we reported a profit before tax of £13.2 million compared to an equivalent loss of £1.2 million in 2013. Excluding discontinued operations our underlying sales fell 1% to £494 million and underlying operating profit, excluding discontinued operations, fell 45% to £18.7 million. There were a number of factors driving this operating performance including start up costs in our new overseas assembly facilities, competitive pricing pressures in the UK, the launch of new products and resultant learner curve costs in the UK, a stronger pound hitting our international margins and the costs of our North American Joint Venture. Despite these short term financial headwinds we maintained our investment focus in additional headcount to develop new product and market opportunities. Whilst our financial performance in 2014 was disappointing, we anticipate an improvement in earnings performance in 2015.

Cash generation in 2014 reflected higher levels of working capital as we geared up for increased activity levels into 2015 across our international build sites. Our product development expenditure also increased more than 50% to nearly £13 million. The cash impact of these two elements was offset by a higher level of contractual cash advances from customers. As a result net debt at 31 December 2014 was a modest £3 million compared to £26 million at the end of 2013. We expect to continue investing in working capital and product development in the coming year.

Outlook

2014 undoubtedly presented us with a number of challenges to contend with. Looking into 2015 we expect the UK to remain as competitive as it was in 2014 however our range of recent product launches will enable us to defend our market position robustly. At this time we have a strong order book both domestically and internationally and

Strategic Report *(continued)*

Outlook *(continued)*

whilst it is unclear at this point what impact the result of the General Election will have for UK transport policy we anticipate strong performance this year.

In 2015 we will see a return to top line growth driven by our international business. In particular the Hong Kong market is currently very strong and our commitment to invest and develop a broader range of products and international markets will help continue to fuel this growth and manage the vagaries of changing market demand.

As ever our approach remains focused on building a stronger business for the medium and longer term rather than pursuing just short term financial goals. This continues to be done through the continued efforts of everyone in the business and the ongoing support of our shareholders for which I am extremely grateful.

Summary of financial results

As set out in the profit and loss account on page 9, the group made an operating profit before discontinued operations of £18.7 million (2013: £34.0 million) and a pre tax profit of £13.2 million on turnover of £503 million. (2013: £1.2 million pre tax loss and turnover of £541 million). Key financial highlights excluding discontinued operations are set out below:

	Continuing operations 2014 £million	Continuing operations 2013 £million
Turnover	494.5	498.8
EBITDA	26.9	41.1
Depreciation/amortisation	(8.1)	(7.2)
Operating profit	18.7	34.0

The principal risks and uncertainties affecting the business include the following:

- **Fluctuations in demand:** the Group monitors market information, sales prospects and orders on a regular basis to assist in anticipating future demand. Formal reviews are held on a monthly basis to ensure that we match this with our manufacturing capacity and supply chain commitments.
- **Raw material availability and prices:** the Group monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers. The business also seeks to reduce its risk from its supply base and every effort is made to dual source critical parts and components.
- **Foreign exchange risk:** a programme of regular monthly foreign exchange hedge contracts is undertaken to help mitigate the impact of fluctuations on our foreign currency purchases over a rolling eighteen month period. All significant sales orders won in foreign currencies are hedged.
- **Interest rate risk:** as part of the Group interest rate management strategy, the Group monitors market interest rates on a regular basis. Where appropriate interest rate swaps and caps are used to mitigate potential future interest rate increases.
- **Environmental risks:** the Group places considerable emphasis upon environmental compliance in each of its businesses and seeks to ensure ongoing compliance with relevant legislation.
- **Debtors:** the Group maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed.
- **Major disruption/disaster:** the Group has a documented Business Continuity Plan with a supporting outline plan to deliver and is currently progressing to schedule.
- **New product, project and technology risk:** in recognising this as a key risk the business has a well established New Product Development Executive Group consisting of key technical and commercial personnel to monitor technology developments and oversee all new product development. This Group has an established formal documented process for managing our development from initial project evaluation through to post completion review.

Strategic Report (*continued*)

Summary of financial results (*continued*)

- All appropriate measures are taken to protect the company's intellectual property rights and to minimise the risk of infringement of third party rights.
- The effect of legislation or other regulatory activities: the bus and coach industry, like many others, is subject to regulatory forces, particularly with regard to emission controls; the group manages its exposure in this area with dedicated technical resource and active involvement in trade bodies.
- Litigation: the directors are not aware of any material litigation against the group at the present time.

Key areas of strategic development and performance of the business include:

- Sales and marketing: in line with the Group's strategy, key customer relationships are monitored and developed on a regular basis. In addition a key focus is broadening our customer base in the UK and developing targeted markets overseas.
- New product development: new products continue to be developed for both existing and prospective markets and further developments of our product portfolio are underway under the supervision of the New Product Development Group.
- Manufacturing: during the year labour efficiencies and productivity improvements have been realised and new initiatives for process and efficiency improvements are constantly being developed.
- Health and Safety: the Group has adopted a single Health & Safety policy and oversees co-ordination of activities and the sharing of best practice at a group level. However, in each facility, ADL has specific Health and Safety teams, with each business producing regular reports that are scrutinised up to Executive level.

Key financial performance indicators include the monitoring of the management of profitability and working capital.

Key non-financial performance indicators include the monitoring of our employees' health and safety.

	2014	2013	Measure
Financial			
Operating profit (before discontinued operations) (£million)	18.7	33.8	Earnings before interest and tax
Current ratio	1.66	1.39	Current assets: current liabilities
Stock turnover	7.63	9.56	Turnover/stock
Debtor days	29.8	25.4	Trade debtors/average turnover
Creditor days	67.1	50.2	Trade creditors/average purchases
Non-financial			
Number of reportable accidents	20	61	Reportable accidents

Strategic Report (*continued*)

Financing

The Group's business activities and current position as well as information on its cash flows and borrowings are contained within this report and the notes to the financial statements.

The core funding of the business is achieved through the use of both shareholders' funds and bank debt. The Group's bank facilities are committed until June 2018.

Our funding requirement can fluctuate over the course of a year, driven by our international activity as well as seasonal and other factors. We manage cash utilisation closely across each of our business units and on a consolidated basis. Rolling six-monthly cash forecasts are prepared every week and reviewed in detail. Cash forecasts beyond this period are updated and reviewed every month.

After taking into account the current order book, our best estimate of future market conditions, the underlying operational performance of the business and the level of unutilised committed bank facilities, the Group's most recent forecasts show that the Group will be able to operate within its facilities.

All banking covenants were satisfied during 2014 and are forecast to remain so for the period covered by the financial projections.



On behalf of the board
Colin Robertson
Chief Executive

16 Charlotte Square
Edinburgh
EH2 4DF

26 March 2015

Directors' report

Principal activities

The business conducted by the Company and Group is bus body and chassis manufacture, coach body manufacture and the related aftermarket activities of spare parts provision and service support.

Results and dividends

The Group profit after interest and tax for the financial year amounts to £10,546,000 (2013: loss of £7,988,000).

A dividend of £7,815,000 was approved and paid during the year ended 31 December 2014 (2013: £7,405,000).

Directors

The directors of the company during the financial year and at the date of this report were as follows:

a. Non-Executive

David D Murray	Non-Executive Director (resigned 25 April 2014)
David Harraghy	Investor Director
Steve Clayton	Non-Executive Director
David Giffin	Non-Executive Director (appointed 13 June 2014)

b. Executive

Colin Robertson	Chief Executive
Michael Stewart	Finance Director
Bill Simpson	Corporate Affairs Director
Arthur Whiteside	Sales and Aftermarket Director

In accordance with the Articles of Association, the directors are not subject to retirement by rotation.

Employees

Applications for employment of disabled persons will always be considered, bearing in mind the aptitudes and abilities of the individual concerned. Where members of staff become disabled, every effort is made to ensure their continuing employment with the group, with appropriate training where necessary, in accordance with the Group policy, namely that training, career development and promotion prospects be identical to those of equivalent, non disabled employees.

It is Group policy to keep employees advised of the achievements and progress of the Group.

Political and charitable contributions

The Group made no political contributions during the year (2013: £Nil).

The Group made charitable donations amounting to £6,270 (2013: £4,202).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

A handwritten signature in black ink, appearing to read 'M Stewart', with a large, sweeping flourish at the end.

On behalf of the board
Michael Stewart
Finance Director

16 Charlotte Square
Edinburgh
EH2 4DF

26 March 2015

Statement of directors' responsibilities in respect of the Strategic Report, Annual Report and the financial statements

The directors are responsible for preparing the Strategic Report, Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

191 West George Street
Glasgow
G2 2LJ
United Kingdom

Independent auditor's report to the members of Alexander Dennis Limited

We have audited the financial statements of Alexander Dennis Limited for the year ended 31 December 2014 set out on pages 9 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Philip Charles (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

30 March 2015

Consolidated profit and loss account
for the year ended 31 December 2014

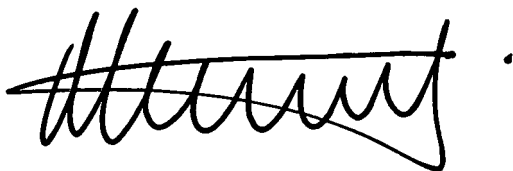
		2014 £000	2013 £000
Turnover (including turnover from discontinued operations of £8.2million (2013: £42.3million))	2	502,675	541,082
Cost of sales		(428,951)	(454,507)
Gross profit		73,724	86,575
Distribution costs		(16,433)	(15,873)
Administration expenses		(41,035)	(64,868)
Operating profit before discontinued operations			
- before depreciation, amortisation and exceptional items		26,851	41,006
- depreciation and amortisation		(8,102)	(7,166)
		18,749	33,840
Operating loss from discontinued operations		(2,493)	(28,006)
Group operating profit		16,256	5,834
Net interest payable and similar charges	7	(3,073)	(7,015)
Profit/(loss) on ordinary activities before taxation	3	13,183	(1,181)
Tax on profit/(loss) on ordinary activities	8	(2,637)	(6,807)
Profit/(loss) for the financial year	18	10,546	(7,988)

On 30 May 2014, the group's Australian business Custom Coaches PTY Limited and its trading subsidiary Custom Coaches Sales PTY Limited, were placed into administration and subsequently disposed of. In accordance with FRS3, the results of Custom Coaches have been disclosed as discontinued operations.

Balance sheets
at 31 December 2014

	Note	Group		Company	
		2014 £000	2013 £000	2014 £000	2013 £000
Fixed assets					
Intangible assets	9	42,204	34,049	42,773	34,524
Tangible assets	10	14,880	13,844	14,338	13,435
Investments	11	-	-	1,762	1,762
		<u>57,084</u>	<u>47,893</u>	<u>58,873</u>	<u>49,721</u>
Current assets					
Stocks	12	65,898	56,596	61,658	53,407
Debtors	13	105,644	75,251	95,437	71,414
Cash at bank and in hand		43,980	21,838	32,305	15,499
		<u>215,522</u>	<u>153,685</u>	<u>189,400</u>	<u>140,320</u>
Creditors: amounts falling due within one year	14	<u>(180,893)</u>	<u>(110,544)</u>	<u>(168,005)</u>	<u>(104,233)</u>
Net current assets		<u>34,629</u>	<u>43,141</u>	<u>21,395</u>	<u>36,087</u>
Total assets less current liabilities		<u>91,713</u>	<u>91,034</u>	<u>80,268</u>	<u>85,808</u>
Creditors: amounts falling due after more than one year	15	<u>(46,588)</u>	<u>(47,097)</u>	<u>(46,518)</u>	<u>(46,220)</u>
Provisions for liabilities and charges	16	<u>(6,973)</u>	<u>(8,315)</u>	<u>(6,334)</u>	<u>(6,975)</u>
Net assets		<u><u>38,152</u></u>	<u><u>35,622</u></u>	<u><u>27,416</u></u>	<u><u>32,613</u></u>
Capital and reserves					
Called up share capital	17	170	161	170	161
Share premium account	18	16,911	16,911	16,911	16,911
Capital redemption reserve	18	1	1	1	1
Profit and loss account	18	21,070	18,549	10,334	15,540
		<u>38,152</u>	<u>35,622</u>	<u>27,416</u>	<u>32,613</u>
Shareholders' funds		<u><u>38,152</u></u>	<u><u>35,622</u></u>	<u><u>27,416</u></u>	<u><u>32,613</u></u>

These financial statements were approved by the board of directors and were signed on 26 March 2015 on its behalf by:



Michael Stewart
Director

Consolidated cash flow statement
for the year ended 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Cash flow statement			
Net cash inflow from operating activities before non-recurring operating costs	22	56,209	18,877
Non-recurring cash operating items	4	(372)	(1,295)
Net cash inflow from operating activities		55,837	17,582
Returns on investment and servicing of finance	23	(3,036)	(3,766)
Taxation	23	(4,728)	(6,074)
Capital expenditure	23	(16,981)	(14,147)
Acquisitions	23	-	(84)
Dividends	18	(7,815)	(7,405)
Cash inflow/(outflow) before financing and management of liquid resources		23,277	(13,894)
Management of liquid resources	23	(23,000)	-
Financing	23	(1,135)	12,681
Decrease in cash in the year		(858)	(1,213)

Reconciliation of net cash flow to movement in net debt
for the year ended 31 December 2014

Decrease in cash in the year	24	(858)	(1,213)
Cash inflow from movement in liquid resources	24	23,000	-
Cash inflow/(outflow) from movement in debt	24	1,135	(11,597)
Non cash movement	24	24	(435)
Increase/(decrease) in net debt in the year		23,301	(13,245)
Net debt at the start of the year	24	(26,031)	(12,786)
Net debt at the end of the year	24	(2,730)	(26,031)

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2014

	2014 £000	2013 £000
Profit/(loss) for the financial year	10,546	(7,988)
Net exchange differences on the retranslation of net investments in subsidiary undertakings and related borrowings	(210)	(522)
Total recognised losses and gains relating to the financial year	10,336	(8,510)

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2014

	Note	Group		Company	
		2014 £000	2013 £000	2014 £000	2013 £000
Profit/(loss) for the financial year	18	10,546	(7,988)	2,609	(10,992)
Dividends paid	18	(7,815)	(7,405)	(7,815)	(7,405)
Retained profit/(loss)		2,731	(15,393)	(5,206)	(18,397)
Currency retranslation	18	(210)	(522)	-	(298)
Issue of share capital	18	9	-	9	-
Net addition in/(reduction to) shareholders' funds		2,530	(15,915)	(5,197)	(18,695)
Opening shareholders' funds		35,622	51,537	32,613	51,308
Closing shareholders' funds	18	38,152	35,622	27,416	32,613

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice and under the historical cost accounting rules.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December. The acquisition method of accounting has been adopted. Under this method, the results of businesses and/or subsidiary undertakings acquired in the period are included in the consolidated profit and loss account from the date of acquisition.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Goodwill

Goodwill, representing the difference between the fair value of the consideration given and the fair value of the separable net assets acquired, is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life, currently estimated by the directors at 20 years. Goodwill is tested for impairment in the first accounting period following each major acquisition and, thereafter, if conditions of potential impairment are deemed to exist.

New product development costs

Where the directors are satisfied as to the technical, commercial and financial viability of individual new product development projects, the related identifiable development expenditure is capitalised as an intangible asset. This is then amortised over the period during which the Group is expected to benefit from such expenditure in the form of new product sales, but not so as to extend beyond a period of 5 years for buses and for coaches commencing from initial product sale.

Where doubts subsequently arise over project viability, provision is made for impairment of the relevant costs incurred.

Other intangible assets

Patents and trademark costs incurred by the Group are capitalised at cost and amortised over 20 years.

Warranty

A provision for warranty is recognised when the underlying products are entered into service. The provision is based upon historical warranty data and a weighting of all possible outcomes against their associated possibilities.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provisions for impairment in value. Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

	Straight line rate
Freehold buildings	2.8%
Leasehold property/improvements	Over the lease term
Heavy plant and machinery	10%
Light plant and machinery	20%
Office equipment/fixtures	20%
Computer equipment and software	33.3%
Motor vehicles	25%

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related hedge arrangement. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Exchange differences arising on the retranslation of overseas subsidiary undertakings are dealt with through reserves.

Government grants

Government grants relating to new product development are credited to deferred income and released to profit over the same period as the amortisation of the expenditure to which the grants relate. Other grants are credited to deferred income and released to the profit and loss account as the related expenditure is incurred.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The Group operates defined contribution schemes. The assets of these schemes are held separately from those of the Group. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials and direct labour and an attributable proportion of manufacturing overhead based upon the normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion.

Provision is made for obsolete, slow moving or defective items where appropriate.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

Current tax, including UK and overseas corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates or laws that have been enacted or substantively enacted by the balance date. The charge or credit for taxation takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profit from which the reversal of the underlying timing differences can be deducted.

Share based payments

The company operated share option programmes which allowed eligible directors to acquire options over shares of the Company. Options arising under these programmes are accounted for in accordance with FRS 20: Share based payments. This accounting standard requires that the fair value of such options is recognised as an expense, with a corresponding increase in liabilities for those options designated as 'cash settled' and a credit to equity in relation to those options designated as 'equity settled'. In relation to both categories of options, the fair value is measured at grant date and spread over the period during which eligible directors become unconditionally entitled to the options when options vest and become shares. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the options were granted. The liability in respect of cash settled options is revalued at each balance sheet date and settlement date, with any changes to fair value being recognised in the profit and loss account.

Turnover and revenue recognition

The group generates revenue from the manufacture and sale of bus and coach chassis, bus and coach bodies, complete buses and coaches, bus kits and the provision of aftermarket services, including the sale of spare parts.

Revenue from these activities, excluding sales relates taxes, is recognised when:

- a supply contract exists;
- sales consideration is capable of reliable measurement and collectability is reasonably assured;
- contractual commitments have been discharged.

Certain vehicle export sales contracts for the construction of a group of vehicles where the customer specifies the major structural elements of design, which extend beyond the balance sheet date and which are material to the overall results of the group are accounted for as long term contracts notwithstanding that the duration of the contract may be for less than one year.

The amount of profit attributable to the stage of completion of such contracts is recognised when the outcome of each contract can be foreseen with reasonable certainty. Turnover in relation to such contracts is stated at cost appropriate to their stage of completion plus attributable profit; provision is made for any losses as soon as they are foreseen. Such contracts are held in the balance sheet (classified as amounts recoverable on contracts) at cost incurred plus attributable profit, net of amounts transferred to the profit and loss account and after deducting payments on account. Where payments on account exceed the cumulative costs incurred plus attributable profit, the excess is shown under creditors falling due within one year.

Parts supply contracts

Certain parts supply contracts entered into in relation to the aftermarket division extend to several years in duration and therefore result in the group having parts supply commitments which extend beyond the balance sheet date. Income in relation to such contracts, however, may be received evenly over the duration of the relevant contracts. In these circumstances, income is deferred so as to match revenue with the relevant parts supply commitments to be incurred in later periods. Revenue deferred in relation to such contracts is shown under creditors falling due within one year.

Notes (continued)

1 Accounting policies (continued)

Debt and finance costs

Debt is categorised according to facility, as follows:

- 5 year revolving credit facility, expiring 17 June 2018

The 5 year revolving credit facility is stated net of the unamortised element of the attributable set up (facility) costs.

Finance costs include an amortisation charge calculated to write off the facility costs over the facility term.

2 Turnover

The business operates within four geographical markets: the United Kingdom and Europe, North America, Far East and Australasia. Turnover by geographical market is analysed below:

	2014 £000	2013 £000
United Kingdom and Europe	321,817	311,253
North America	30,001	41,190
Asia Pacific	137,284	123,130
Australasia	13,526	65,508
Other	47	1
Total turnover	502,675	541,082

No geographical analysis of turnover by origin or segmental analysis of turnover and profit before tax is provided as the directors believe the provision of such information would be seriously prejudicial to the group's interests.

Notes (continued)

5 Remuneration of directors

	2014 £000	2013 £000
Directors' emoluments	1,557	1,492
Company contributions to money purchase pension schemes	73	120
Amounts paid to third parties in respect of directors' services	56	71
	<u>1,686</u>	<u>1,683</u>

Directors' remuneration is as determined by the board, in accordance with the Articles of Association. The aggregate of emoluments and amounts receivable by the highest paid director was £873,000 (2013: £853,000) and company pension contributions of £Nil (2013: £Nil) were made to a money purchase scheme on his behalf.

	Number of directors	
	2014	2013
Retirement benefits are accruing to the following number of directors under money purchase schemes	<u>4</u>	<u>4</u>

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2014	2013
Production	1,737	1,924
Selling and administration	511	540
	<u>2,248</u>	<u>2,464</u>

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	82,786	84,397
Social security costs	8,733	9,208
Other pension costs	3,274	2,551
Exceptional redundancy costs (note 4)	186	296
	<u>94,979</u>	<u>96,452</u>

7 Net interest payable and similar charges

	2014 £000	2013 £000
Interest receivable	(11)	(8)
Interest payable on bank loans and overdrafts	2,026	2,071
– excluding Custom Coaches		
– Custom Coaches	61	244
Interest on stockholding facilities	48	45
Amortisation of bank loan facility charge	333	388
Other interest payable	289	116
Interest payable on invoice discounting	327	280
Net exchange losses relating to UK loans provided to Custom Coaches	-	3,879
	<u>3,073</u>	<u>7,015</u>

Notes (continued)

8 Taxation

Analysis of charge in year

	2014 £000	2013 £000
<i>Corporation tax</i>		
UK corporation tax – current year	1,228	3,946
– adjustments in respect of prior years	(66)	(324)
Overseas tax – current year	960	1,043
– adjustment in respect of prior year	(46)	14
	2,076	4,679
<i>Deferred tax</i>		
UK deferred tax – current year	906	1,066
Adjustments in respect of prior period	-	(13)
Change in deferred tax rate	(141)	(164)
Overseas deferred tax – current year	(216)	(64)
– impairment adjustment	-	1,303
– adjustment in respect of prior year	12	-
	561	2,128
Total tax charge	2,637	6,807

Factors affecting the tax charge for the current year

The corporation tax charge for the year is different from the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below.

	2014 £000	2013 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	13,183	(1,181)
Tax at 21.5% (2013: 23.25%)	2,834	(274)
<i>Effects of:</i>		
Expenses not deductible for tax purposes including amortisation of assets not qualifying for tax relief through capital allowances or research and development tax relief	324	348
Depreciation for period in excess of capital allowances	17	92
Other timing differences	(611)	(931)
Difference in overseas tax rates	(299)	(874)
Prior year adjustment for corporation tax	(114)	(312)
Enhanced research & development tax relief relating to current year	(486)	(641)
Other	15	(1)
Change in closing rate of deferred tax	(141)	(164)
Tax losses not recognised	-	2,381
Impairments relating to Custom Coaches	537	5,055
Current tax charge	2,076	4,679

Notes (continued)

8 Taxation (continued)

Deferred tax liability (note 16)

Group	2014 £000	2013 £000
Total deferred tax (liability)/asset balance at start of year	(1,838)	532
Prior year adjustments	(12)	15
Accelerated capital allowances	(930)	(985)
Other timing differences	24	23
Losses recognised	167	50
Change in deferred tax rate	141	60
Difference in overseas tax rates	49	12
Foreign exchange movement	-	(242)
Impairment against Custom Coaches deferred tax asset	-	(1,303)
Deferred tax liability at end of year	<u>(2,399)</u>	<u>(1,838)</u>
Company	2014 £000	2013 £000
Total deferred tax balance at start of year	(1,595)	(684)
Prior year adjustments	-	14
Accelerated capital allowances	(930)	(985)
Change in deferred tax rate	141	60
Deferred tax liability at end of year	<u>(2,384)</u>	<u>(1,595)</u>

The elements of deferred tax are as follows:

	Group		Company	
	2014 Liability £000	2014 Asset £000	2013 Liability £000	2013 Asset £000
Timing differences between accumulated depreciation and capital allowances				
- research and development tax relief	(2,866)	-	(2,058)	-
- other	481	-	463	-
Other timing differences	(281)	-	(305)	-
Losses	-	267	-	62
Deferred tax (liability)/asset	<u>(2,666)</u>	<u>267</u>	<u>(1,900)</u>	<u>62</u>

Reductions in the UK corporation tax rate from 23% to 21% (effective 1 April 2014) and 20% (effective 1 April 2015) were substantively enacted on 2 July 2014. The UK deferred tax liability has been calculated at 20%.

Notes (continued)

9 Intangible fixed assets – Group

	New product development costs £000	Trade marks and patents £000	Goodwill £000	Total £000
Cost				
At start of year	32,552	103	47,772	80,427
Disposal of subsidiary (note 26)	(1,395)	-	(12,680)	(14,075)
Additions	12,854	-	-	12,854
Disposals	(8,233)	-	-	(8,233)
At end of year	35,778	103	35,092	70,973
Amortisation and impairment				
At start of year	(19,428)	(42)	(26,908)	(46,378)
Charged in year	(2,902)	(5)	(1,755)	(4,662)
Disposals	8,233	-	-	8,233
Disposal of subsidiary (note 26)	1,358	-	12,680	14,038
At end of year	(12,739)	(47)	(15,983)	(28,769)
Net book value				
At 31 December 2014	23,039	56	19,109	42,204
At 31 December 2013	13,124	61	20,864	34,049

Intangible fixed assets – Company

	New product development costs £000	Trade marks and patents £000	Goodwill £000	Total £000
Cost				
At start of year	31,195	103	33,209	64,507
Additions	12,843	-	-	12,843
Disposals	(8,233)	-	-	(8,233)
Disposal of subsidiary (note 26)	(26)	-	-	(26)
At end of year	35,779	103	33,209	69,091
At start of year	(18,070)	(42)	(11,871)	(29,983)
Charge in year	(2,903)	(5)	(1,660)	(4,568)
Disposals	8,233	-	-	8,233
At end of year	(12,740)	(47)	(13,531)	(24,318)
At 31 December 2014	23,039	56	19,678	42,773
At 31 December 2013	13,125	61	21,338	34,524

Costs capitalised on trade marks and patents are the costs of registering acquired patents and trade marks and the Alexander Dennis mark itself.

Notes (continued)

10 Tangible fixed assets

Group	Land and buildings		Plant and equipment	Motor vehicles	Total
	Freehold £000	Long leasehold £000	£000	£000	£000
Cost					
At start of year	4,731	4,425	28,841	409	38,406
Additions	70	173	4,162	172	4,577
Disposals	-	(63)	(6)	(142)	(211)
Foreign exchange adjustment	-	-	10	-	10
Disposal of subsidiary (note 26)	-	(785)	(2,055)	(54)	(2,894)
At end of year	4,801	3,750	30,952	385	39,888
Depreciation and impairment					
At start of year	(1,409)	(1,446)	(21,419)	(288)	(24,562)
Charge for year	(219)	(266)	(2,903)	(53)	(3,441)
On disposals	-	62	3	107	172
Foreign exchange adjustment	-	-	(6)	-	(6)
Disposal of subsidiary (note 26)	-	785	1,990	54	2,829
At end of year	(1,628)	(865)	(22,335)	(180)	(25,008)
Net book value					
At 31 December 2014	3,173	2,885	8,617	205	14,880
At 31 December 2013	3,322	2,979	7,422	121	13,844
Company					
Cost					
	Freehold £000	Long leasehold £000	Plant and equipment £000	Motor vehicles £000	Total £000
At start of year	4,730	3,434	24,971	21	33,156
Additions	71	160	3,941	5	4,177
At end of year	4,801	3,594	28,912	26	37,333
Depreciation					
At start of year	(1,408)	(522)	(17,771)	(20)	(19,721)
Charge for year	(220)	(245)	(2,807)	(2)	(3,274)
At end of year	(1,628)	(767)	(20,578)	(22)	(22,995)
Net book value					
At 31 December 2014	3,173	2,827	8,334	4	14,338
At 31 December 2013	3,322	2,912	7,200	1	13,435

Notes (continued)

10 Tangible fixed assets (continued)

Included in the net book value of freehold land and buildings is land with a cost of £1,500,000 (2013: £1,500,000) on which depreciation is not charged.

Included in the Group net book value of plant and equipment is £218,231 (2013: £719,073) of assets acquired under finance leases. The depreciation charge for the year amounted to £52,689 (2013: £156,320).

Included in the Group net book value of motor vehicles is £154,316 (2013: £101,529) of assets acquired under finance leases. The depreciation charge for the year amounted to £32,035 (2013: £54,898).

11 Fixed asset investments

Company	Shares at cost £000	Long term loan £000	Total investment in group undertakings £000
Cost and net book value			
At start and end of year	20	1,742	1,762

The principal undertakings in which the group's interest at the year end is more than 20% are as follows:

	Percentage of ordinary shares held by the Group	Country of incorporation	Principal activity
Alexander Dennis Inc	100%	US	Sale of buses and related aftermarket activities
Alexander Dennis (Asia Pacific) Limited	100%	Hong Kong	Sale of buses and related aftermarket activities
Plaxton Holdings Limited	100%	UK	Holding company
Plaxton Limited *	100%	UK	Dormant company
Alexander Dennis (New Zealand) Limited	100%	New Zealand	Customer support
Alexander Dennis Australia Pty Limited	100%	Australia	Holding company
Alexander Dennis Canada	100%	Canada	Sale of buses and related aftermarket activities
Alexander Dennis (Singapore) Service Pte Ltd	100%	Singapore	Customer support
Alexander Dennis Malaysia Sdn BHD	100%	Malaysia	Sale of buses and related aftermarket activities

* held indirectly by Plaxton Holdings Limited

Notes (continued)

12 Stocks

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Raw materials	25,749	19,976	25,749	19,812
Work in progress	17,932	14,177	17,932	13,623
Finished goods and goods for resale	22,217	22,443	17,977	19,972
	<u>65,898</u>	<u>56,596</u>	<u>61,658</u>	<u>53,407</u>

13 Debtors

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
<i>Amounts falling due within one year:</i>				
Trade debtors	41,103	37,650	23,772	22,035
Trade debtors subject to limited recourse financing	-	9,523	-	9,523
Less: non returnable amounts received	-	(9,523)	-	(9,523)
Amounts recoverable on contracts	55,516	28,950	2,563	3,951
Prepayments and accrued income	8,083	7,646	5,575	5,318
Other debtors	363	1,005	174	204
Amounts owed by group undertakings	-	-	62,663	39,906
Corporation tax recoverable	579	-	690	-
	<u>105,644</u>	<u>75,251</u>	<u>95,437</u>	<u>71,414</u>

During the previous year, the group entered into an agreement with its bankers whereby the trade debts of approved customers would be assigned to the bank and discounted in the ordinary course of business. The value of the associated debtors are received in full subject to a discounting charge which is included in interest costs in the profit and loss account. The group will not make good any loss over and above the agreement's recourse limits and the bank have confirmed their acceptance of this position in writing.

14 Creditors: amounts falling due within one year

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank loan and overdraft (secured – note 15)	-	901	-	-
Trade creditors	87,843	69,353	87,066	65,937
Payments received in advance	58,363	8,285	531	8,285
PAYE, social security and other taxation	13,593	6,587	8,236	5,309
UK and overseas corporation tax	-	2,001	-	1,123
Other creditors	4,080	7,330	4,230	6,373
Accruals and deferred income	16,892	15,804	14,846	13,111
Amounts owed to group undertakings	-	-	53,015	4,095
Finance lease creditors	122	283	81	-
	<u>180,893</u>	<u>110,544</u>	<u>168,005</u>	<u>104,233</u>

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Bank revolving credit facility drawdowns	47,000	47,000	47,000	47,000
Unamortised facility costs	(584)	(780)	(584)	(780)
	46,416	46,220	46,416	46,220
Finance lease creditors	172	465	102	-
Accruals and deferred income	-	412	-	-
	46,588	47,097	46,518	46,220

Analysis of debt:

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Debt can be analysed as falling due:				
In less than one year	122	1,184	81	-
Between one and two years	117	424	81	-
Between two and five years	46,471	46,261	46,437	46,220
	46,710	47,869	46,599	46,220

Additional borrowing facilities

At 31 December, the Group had undrawn committed borrowing facilities, in respect of which all conditions precedent had been met, as follows:

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Expiring between two and five years	33,078	39,156	32,548	37,386

The UK bank facilities are secured by means of a floating charge over the Group's assets and a standard security and legal charge on the company's freehold properties. Additionally, as set out in note 13 the group has non-recourse facilities with certain funders who acquire the group's debtors.

Notes (continued)

16 Provisions for liabilities and charges

	2014 £000	2013 £000
Group		
Product warranty		
At start of year	6,477	4,223
Disposal of subsidiary (note 26)	(467)	-
Amounts provided in year	7,270	10,579
Utilised during year	(9,091)	(8,220)
Exchange adjustment	-	(105)
At 31 December 2014 (before deferred tax)	4,189	6,477
Deferred tax (note 8)	2,399	1,838
Other provision (note 26)	385	-
At 31 December 2014	6,973	8,315
Company		
Product warranty		
At start of year	5,380	3,529
Amounts provided in year	7,186	9,517
Utilised during year	(9,001)	(7,666)
At 31 December 2014 (before deferred tax)	3,565	5,380
Deferred tax (note 8)	2,384	1,595
Other provision (note 26)	385	-
At 31 December 2014	6,334	6,975

17 Called up share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
16,990,535 (2013: 16,097,953) ordinary shares of 1p each	170	161

During the year, 892,582 shares of 1p each were issued. Refer to note 19.

Notes *(continued)*

18 Share capital and reserves

	Share capital	Share premium	Capital redemption reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000
Group					
At start of year	161	16,911	1	18,549	35,622
Profit for the year	-	-	-	10,546	10,546
Dividend paid in year	-	-	-	(7,815)	(7,815)
Currency re-translation	-	-	-	(210)	(210)
Share capital issued in year (note 17)	9	-	-	-	9
	<u>170</u>	<u>16,911</u>	<u>1</u>	<u>21,070</u>	<u>38,152</u>
Company					
At start of year	161	16,911	1	15,540	32,613
Profit for the year	-	-	-	2,609	2,609
Dividend paid in year	-	-	-	(7,815)	(7,815)
Share capital issued in year (note 17)	9	-	-	-	9
	<u>170</u>	<u>16,911</u>	<u>1</u>	<u>10,334</u>	<u>27,416</u>

In accordance with s408 of the Companies Act 2006, the company has chosen not to present its own profit and loss account. The profit for the year in the financial statements of the company is as shown above (2013: loss of £10,992,000).

Notes (continued)

19 Share based payments

One share option scheme was in operation during the year (2013: one).

This scheme was implemented in April 2007. The grant was split into two distinct parts as follows:

- 892,582 options with an exercise price of £4.128 per ordinary share; and
- 939,560 options with an exercise price of £6.722 per ordinary share.

The options are exercisable on or after the third anniversary of the date of the grant, subject to continued employment with an option life of 10 years. Both parts are treated as equity settled and the options have fully vested. On 15 January 2014, the 892,582 options with an exercise price of £4.128 each were exercised. Such shares have been issued initially as 'nil paid' with an obligation that the full exercise price will be payable to the company on written demand by the company.

The aggregate number and weighted average exercise price of all share options outstanding are as follows:

	2014 Weighted average exercise price	2014 Number of options	2013 Weighted average exercise price	2013 Number of options
Outstanding at the beginning of the year	£5.46	1,832,142	£5.46	1,832,142
Exercised during the year		(892,582)		-
Outstanding at the end of the year	£6.722	939,540	£5.46	1,832,142
Exercisable at the end of the year		939,560		1,832,142

The options outstanding at the year end have an exercise price of £6.722.

20 Contingent liabilities

There are contingent liabilities in relation to indemnities provided to Bank of Scotland and HSBC to the value of £14,465,000 (2013: £4,227,757) for performance bonds and advance payment guarantees. Included in this amount are £7.9 million regarding an advance payment guarantee and £2.3 million regarding a performance bond. These amounts represent 20% of any potential liability arising with the remaining 80% underwritten by the UK government export credit agency. There are also contingent liabilities in relation to indemnities provided to customers to the value of £978,750 (2013: £978,750) for guarantees of performance obligations. All relate to contracts entered into in the ordinary course of business.

Notes (continued)

21 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2014 £000	2013 £000
Contracted	170	318
Authorised but not contracted	410	244
	<u>580</u>	<u>562</u>

(b) Annual group commitments under non-cancellable operating leases are as follows:

	2014 Plant and equipment £000	2014 Land and buildings £000	2013 Plant and equipment £000	2013 Land and buildings £000
Group				
Operating leases which expire:				
In less than one year	230	1,319	298	490
Between one and two years	165	210	158	1,392
Between two and five years	456	1,072	355	2,474
In more than five years	-	345	-	-
	<u>851</u>	<u>2,946</u>	<u>811</u>	<u>4,356</u>
Company	£000	£000	£000	£000
Operating leases which expire:				
In less than one year	198	1,246	231	292
Between one and two years	165	-	134	1,230
Between two and five years	446	980	321	1,028
In more than five years	-	345	-	-
	<u>809</u>	<u>2,571</u>	<u>686</u>	<u>2,550</u>

22 Reconciliation of operating profit to operating cash flows

	2014 £000	2013 £000
Operating profit	16,256	5,834
Exceptional operating costs	186	23,179
Depreciation on tangible fixed assets and amortisation of development costs	6,348	5,742
Goodwill amortisation	1,755	2,486
(Increase)/decrease in stock	(12,764)	10,776
Increase in debtors	(30,384)	(18,466)
Increase/(decrease) creditors	76,658	(12,911)
(Decrease)/increase in provisions	(1,822)	2,254
Gain on disposal of assets	(24)	(17)
Net cash inflow from operating activities – before exceptional items	<u>56,209</u>	<u>18,877</u>

Notes *(continued)*

23 Analysis of cash flows

	2014 £000	2014 £000	2013 £000	2013 £000
Returns on investment and servicing of finance				
Interest received	11		8	
Interest paid	(3,047)		(2,690)	
Bank facility fees	-		(1,084)	
		(3,036)		(3,766)
Taxation				
UK tax paid	(3,076)		(5,628)	
Foreign tax paid	(1,652)		(446)	
		(4,728)		(6,074)
Capital expenditure				
Purchase of intangible fixed assets	(12,854)		(8,260)	
Purchase of tangible fixed assets	(4,191)		(6,092)	
Disposal of fixed assets	64		205	
		(16,981)		(14,147)
Acquisition of business				
Purchase of subsidiary undertaking	-		(84)	
		-		(84)
Management of liquid resources				
Cash placed on deposit	(23,000)		-	
		(23,000)		-
Debt due within one year:				
Decrease in finance leases	(234)		(388)	
Decrease in overdraft	(901)		(681)	
		(1,135)		(1,069)
Debt due after one year:				
Increase in long term borrowing		-		13,750
Total financing		(1,135)		12,681

Notes *(continued)*

24 Analysis of changes in net debt

	As at 31 December 2013 £000	Cash flow £000	Non-cash movements £000	As at 31 December 2014 £000
Cash at bank and in hand	21,838	(858)	-	20,980
Short term cash deposits	-	23,000	-	23,000
Debt due within one year				
Overdrafts	(901)	901	-	-
Finance leases – due within one year	(283)	234	(73)	(122)
	(1,184)	1,135	(73)	(122)
Debt due after 1 year				
Term loan – due after one year	(47,000)	-	-	(47,000)
Balance of related facility charge	780	-	(196)	584
Finance leases due after one year	(465)	-	293	(172)
	(46,685)	-	97	(46,588)
Total gross debt	(47,869)	1,135	24	(46,710)
Total net debt	(26,031)	23,277	24	(2,730)

25 Related party disclosures

The company has taken advantage of the exemption contained within FRS 8: Related party transactions, not to disclose transactions (but not balances) with companies which are wholly owned subsidiaries.

Notes (continued)

26 Discontinued operations

On 30 May 2014 the group's Australian trading subsidiaries, Custom Coaches Sales Pty Limited and Custom Coaches Pty Limited, were placed into administration. In accordance with FRS3, the results of Custom Coaches are shown as discontinued operations. The net result on disposal was as follows:

	£000
Intangible assets	37
Tangible fixed assets	65
Stocks	3,464
Debtors/creditors	(3,670)
Provisions	(467)
Net liabilities on administration	(571)
Costs of disposal	186
Provision for additional cost	385
	571
Net result on administration	-